Department of Consumer Affairs
Bureau of Automotive Repair
Consumer Assistance Program

Repair Assistance Restructure

DEPARTMENT OF CONSUMER AFFAIRS
BAR
Bureau of Automotive Repair

Purpose

- ✓ CAP's Fiscal Situation
- ✓ Approved Expenditure Reduction Plan
- ✓ Options for Addressing Revenue Shortfall
- ✓ Diagnostic and Testing Fees
- ✓ Additional Expenditure Reduction Options
- ✓ Participant Suggestions

CAP Funding Sources

Enhanced Fleet Modernization Subaccount

- $1.00 fee imposed on all registered vehicles in California
- Generates $31,000,000 in revenue annually
- Funds are dedicated for vehicle retirement and vouchers

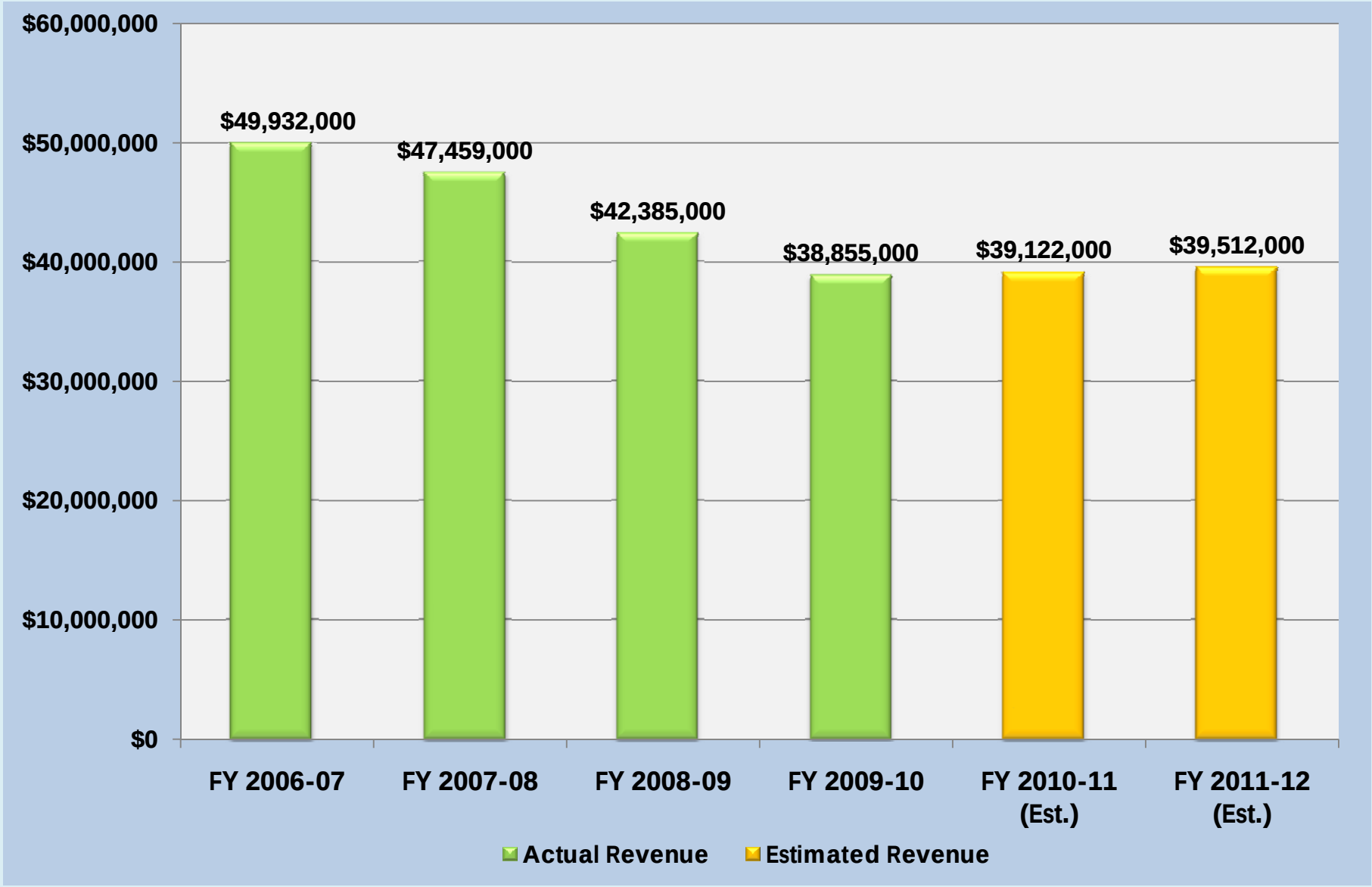
High Polluter Repair or Removal Account

- $8.00 fee imposed on new vehicles at the time of initial registration
- $6.00 fee imposed on vehicles five model years and newer
- Funds are dedicated for repair assistance and vehicle retirement of on-cycle vehicles
- Generated $38,855,000 in revenue in FY 2009-10

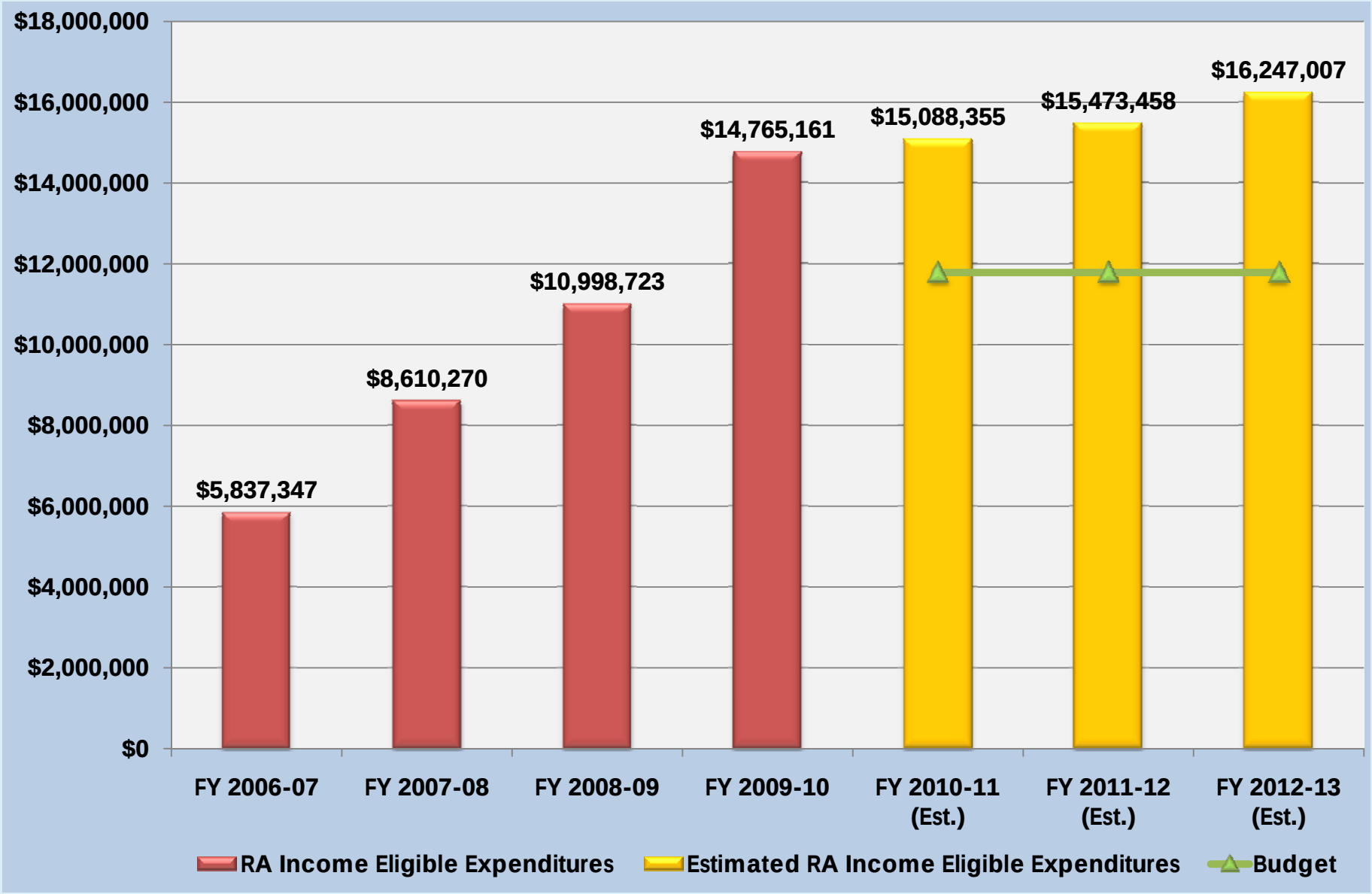
Vehicle Inspection and Repair Fund

- Smog certification, smog abatement, and licensing fees
- Generated $112 million in revenue in FY 2009-10
- Only excess reserves can be used for CAP

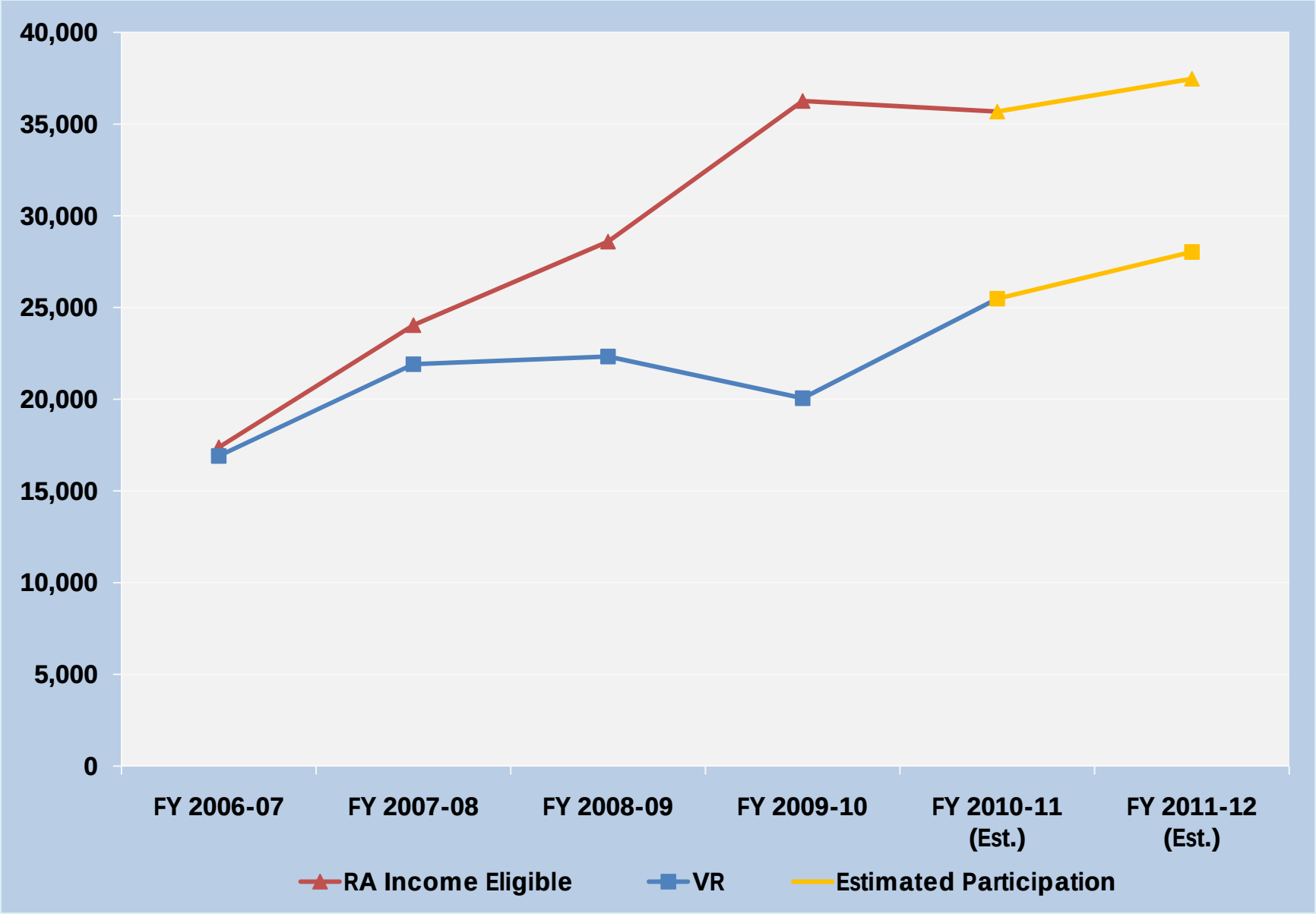
Revenue- High Polluter Repair or Removal Account



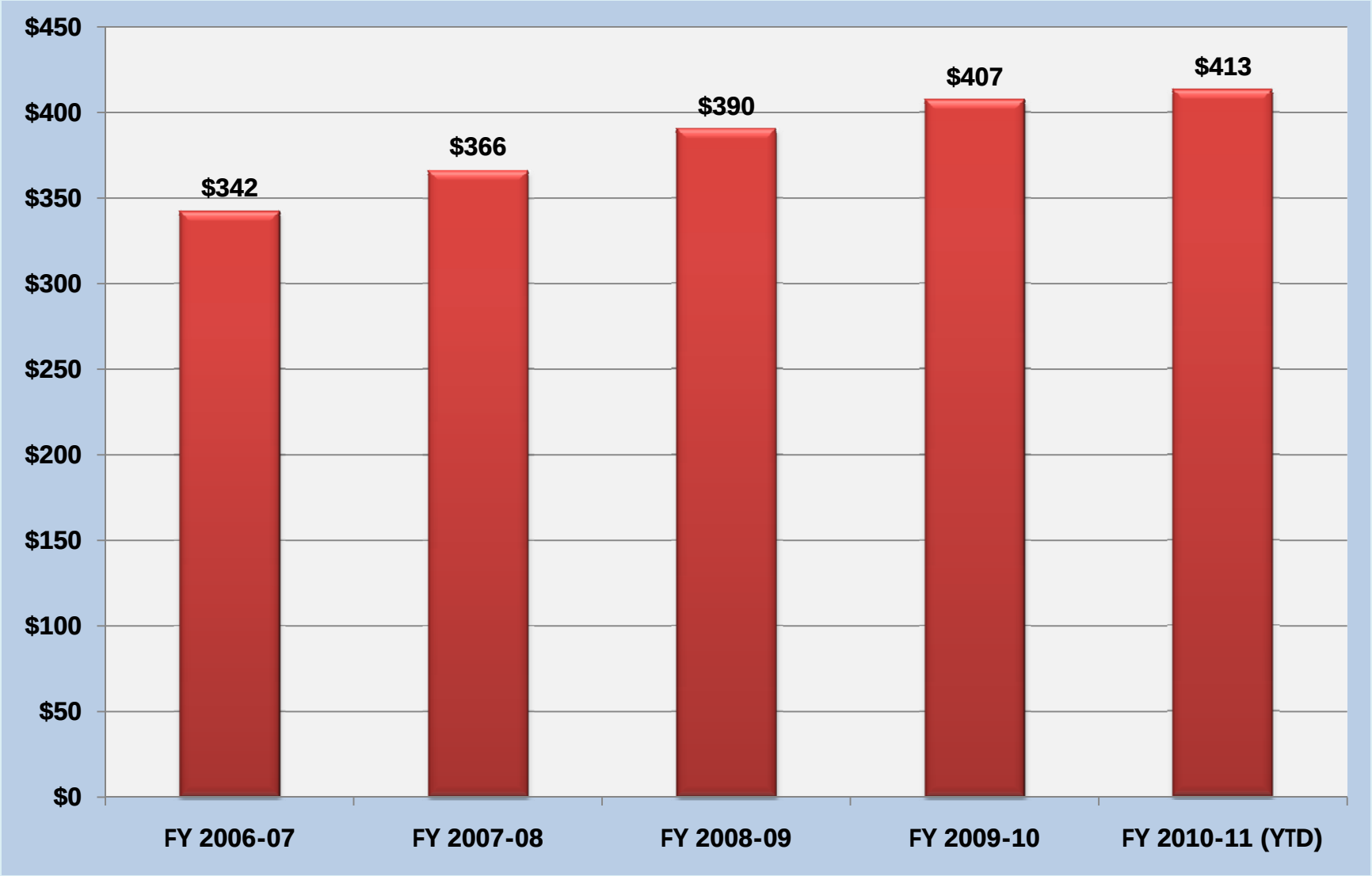
Expenditures vs. Budget



Consumer Participation Trends



CAP - Average State Cost Per Repair



Approved Expenditure Reduction Plan

1. Shifted expenditure authority for vehicle retirement from HPRRA to EFMS

   (Estimated savings of $12,600,000 annually)

2. Eliminated directed vehicles from repair assistance eligibility

   (Estimated savings of $7,693,000 annually)

3. Limited consumer participation in repair assistance

   (Estimated savings of $962,000 annually)

4. Reduced administrative costs

   (Estimated savings of $728,000 annually)

Estimated Shortfall

After reduction plan and excluding program growth:

- $3,500,000 in FY 2012-13
- $7,400,000 in FY 2013-14

Revenue

Smog check stations and technician citation revenue deposited into HPRRA

Additional revenue options:

1. Increase Smog Abatement Fee

2. Seek General Fund loan repayment

CAP - $413 Average State Cost of Repair

- ❑ Tax
- ❑ Labor
- ❑ Parts
- ❑ Diagnostic

Research

1. BAR Engineering Study(January 2009)

2. Online Gold Shield Station Survey (May 2010)

3. Random Telephone Survey of Gold Shield Stations (June 2010)

BAR Engineering Study

Purpose:

- Assess repair effectiveness of Gold Shield and Test-and-Repair stations

Finding:

- Gold Shield station repairs resulted in a slightly greater emissions reduction than those performed at Test-and-Repair stations

Online Gold Shield Station Survey

Purpose:

1. Understand current industry billing practices related to testing and diagnosis
2. Determine CAP's impact on Gold Shield stations
3. Assess current diagnostic practices

Findings:

1. At least 70% of stations include labor, testing, OBD checks and scan tools as part of the diagnostic and testing process
2. Gold Shield stations perform an average of 8 to 9 CAP repairs per month
3. 65% of stations charge non-CAP consumers a flat fee for testing and diagnosis

Random Telephone Survey of Gold Shield Stations

Purpose:

1. Determine method of charging for testing and diagnosis on non-CAP repairs

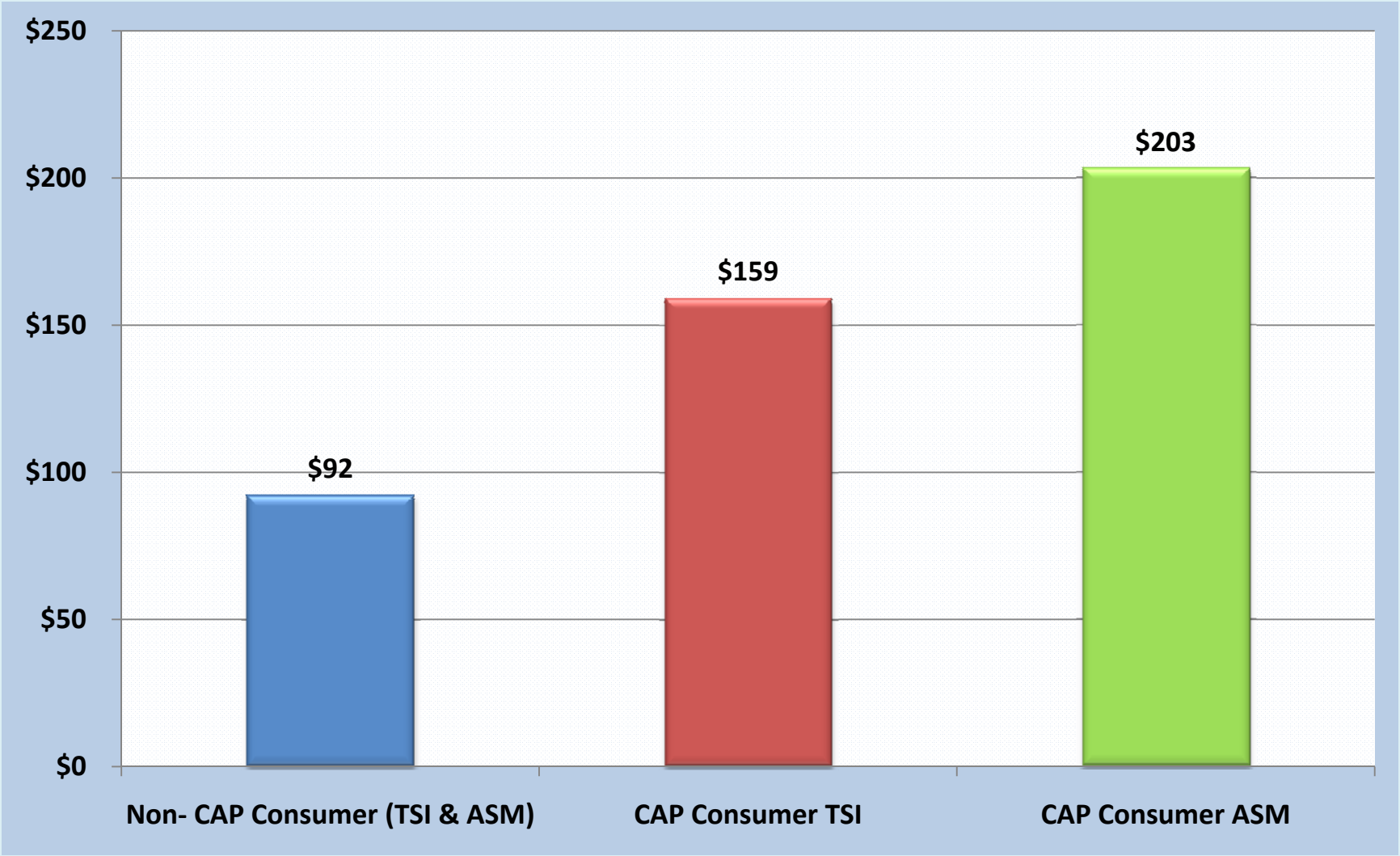
2. Identify station diagnostic and testing charges for non-CAP consumers

Findings:

1. 82% of surveyed stations charge a flat rate for non-CAP consumers
2. The mean testing and diagnostic charge is $92 for non-CAP consumers

Testing and Diagnostic Fees

CAP vs. Industry Average



Reduce Diagnostic Testing and Repair Fees

1. Establish a flat fee
2. Reduce CAP-authorized diagnostic and testing hours
3. Require consumers to pay all testing and diagnostic fees

Reduce Diagnostic Testing and Repair Fees

1. Establish a flat fee of $100 for diagnosis and testing

Pros:

- ✓ Generates an estimated annual savings of $1,891,000
- ✓ Gives stations flexibility to run appropriate tests
- ✓ Mirrors current industry practices
- ✓ Streamlines test procedures
- ✓ Reduces consumer confusion regarding actual cost of testing and diagnosis
- ✓ Does not require a regulatory change

Cons:

- ✓ May reduce stations' revenues
- ✓ Does not cover projected budget shortfall

Reduce Diagnostic Testing and Repair Fees

2. Reduce CAP authorized hours for diagnostic and testing to1.5 hours

Pros:

- ✓ Generates an estimated annual savings of $607,000
- ✓ Reduces cost for testing and diagnostics to approximately $136
- ✓ Minimally reduces the amount of time paid for diagnosis and testing
- ✓ Does not require a regulatory change

Cons:

- ✓ CAP would continue to pay more than the industry average for comparable testing and diagnosis fees
- ✓ CAP stations may increase their hourly labor rate, causing the cost of diagnosis and testing to increase

Reduce Diagnostic Testing and Repair Fee

3. Require consumer to pay all testing and diagnostic fees

Pros:

- ✓ Generates an estimated annual savings of $5,459,000
- ✓ Better utilizes State resources
- ✓ Encourages consumers to negotiate a better price for diagnosing and testing their vehicle

Cons:

- ✓ Would increase costs to some consumers
- ✓ May reduce revenues for some stations
- ✓ Would require a regulatory change

Reduce Diagnostic Testing and Repair Fees

Implementation of $100 Flat Rate

- Effective April 1, 2011
- Annual savings of $1,891,000

Implementation of $100 Flat Rate

Fiscal Year	Current Shortfall	Estimated Shortfall
2012-13	$3,500,000	**$1,609,000**
2013-14	$7,400,000	**$5,509,000**

Reduce Expenditures

Options:

1. Increase $20 consumer copayment to $50 or $100
2. Reduce $500 State contribution to $400
3. Suspend Repair Assistance for a portion of the year
4. Abolish Repair Assistance

Reduce Expenditures

Option 1: Increase $20 consumer copayment to $50 or $100

Pros:

- ✓ Generates estimated annual savings of $576,000 to $1,600,000
- ✓ Excludes 200 to 600 consumers from CAP
- ✓ Provides more money to complete repairs

Cons:

- ✓ Causes all consumers to pay more for diagnosis and repair
- ✓ Impacts the most number of consumers
- ✓ Requires regulatory change
- ✓ Does not cover estimated budget shortfall

Reduce Expenditures

Option 2: Reduce $500 State contribution to $400

Pros:

- ✓ Generates estimated annual savings of approximately $2,263,000

Cons:

- ✓ Increases costs to some consumers
- ✓ Requires change in regulation
- ✓ Does not cover estimated budget shortfall
- ✓ Annually impacts 22,000 consumers with CAP repairs over $400

Reduce Expenditures

Option 3: Suspend Repair Assistance for a portion of the year

Pros:

- ✓ Results in no new costs to consumers

Cons:

- ✓ Creates confusion among consumers
- ✓ Adversely impacts consumers who have registration due late in the fiscal year
- ✓ Harms emissions reduction efforts

Reduce Expenditures

Option 4: Permanently Abolish Repair Assistance Program

Cost Savings Summary

Expenditure Reduction Options	Estimated Annual Savings
1. Adjust copayment to $50 - $100	$576,000 – $1,600,000
2. Reduce State contribution to $400	$2,263,000
3. Suspend Repair Assistance program	N/A
4. Abolish Repair Assistance program	$11,785,000
Estimated Annual Shortfall	
Estimated Shortfall in FY 2012-13	$1,609,000
Estimated Shortfall in FY 2013-14	$5,509,000

Participant Suggestions

Next Steps

- ✓ Conduct workshops statewide
- ✓ Formulate recommendations
- ✓ Develop implementation plan